

VZCZCXYZ0012
RR RUEHWEB

DE RUEHBW #0155 0391627
ZNR UUUUU ZZH
R 081627Z FEB 08
FM AMEMBASSY BELGRADE
TO RUEHC/SECSTATE WASHDC 2171
INFO RUEATRS/DEPT OF TREASURY WASHDC
RUCPDOG/USDOC WASHDC 0036
RUEHZL/EUROPEAN POLITICAL COLLECTIVE

UNCLAS BELGRADE 000155

SIPDIS

SENSITIVE
SIPDIS

USDOC FOR 4232/ITA/MAC/EUR/OEERIS/SSAVICH

E.O. 12958: N/A

TAGS: [ECON](#) [EFIN](#) [EINV](#) [SR](#)

SUBJECT: SERBIA: DESPITE GOVERNMENT CRISIS SERBIA FINALIZES MINING
FIRM SALE

Ref 07 Belgrade 1700

SUMMARY

11. (U) While the Serbian Government spent the week largely paralyzed due to Prime Minister Kostunica's (DSS) refusal to call a government session, on February 7 a conference call among ministers approved the privatization sale of mining firm RTB Bor to Austrian A-Tec. The government needed to approve the sale agreement before a February 8 deadline. If the sale had fallen through, it would have been the second failure to sell RTB Bor, and could have opened the door to the sale of the firm to the second ranked Russian bidder. End Summary.

Government by Conference Call

12. (U) Despite the Serbian Government's gridlock, the government ministers held a conference call on February 7, to approve the privatization contract for copper mining and smelting complex Rudarsko Topionickarski Basen (RTB) Bor with the Austrian consortium A-Tec Minerals and Montanwerke Brixlegg AG. February 8 was the last day to sign the contract for RTB Bor, and if the government had not met the already extended deadline the sale would have fallen through.

13. (SBU) Following the conference call, Economy Minister Dinkic signed the sales contract with representatives from A-Tec. An Embassy contact from the Energy and Mining Ministry confirmed that Energy and Mining Minister Popovic (DSS) participated in the conference call. In addition, Jasna Matic, State Secretary in Dinkic's Economy Ministry told Econoff that Popovic had been instrumental in getting the DSS leadership to agree to the cabinet conference call. At the signing ceremony, Dinkic said that the Government decision on the contract was reached by consensus.

Austrian Firm Commits to Keep Workers and Make Investments

14. (U) A-Tec agreed to pay \$466 million for the assets of RTB Bor and exploitation rights plus an additional commitment of \$230 million in investment. A-Tec increased its pledged investment from its initial offer of \$180 million. A-Tec will be required to build a new smelter and to bring Bor into compliance with Serbian environmental standards in four years. It is also obliged to continue employing all 4,700 workers for the next three years.

15. (U) This deal was the second tender for RTB Bor, following the failure of Romanian firm Cuprom to pay the bid price of \$400 million. In the second tender only A-Tec and the Russian firm Strikeforce Mining and Resources (SMR) submitted bids. If the sale

had not been completed by the February 8 deadline, the Privatization Agency might have been able to open negotiations with the second ranked bidder.

Comment

¶6. (SBU) The conference call to approve the Bor sale was the first government "meeting" since President Tadic's reelection on February 13. Insiders in two of the key ministries involved have told us that there was significant behind the scenes pressure to bring the ministers together (on the phone) to approve this deal. As noted in the past (reftel), individuals seeking a greater Russian commercial presence in Serbia could have maneuvered to put a Russian firm in position to purchase Bor. Ultimately, the government chose to complete the sale with the Austrian firm, but only following significant efforts by Western-oriented leaders within the government. End Comment

MUNTER